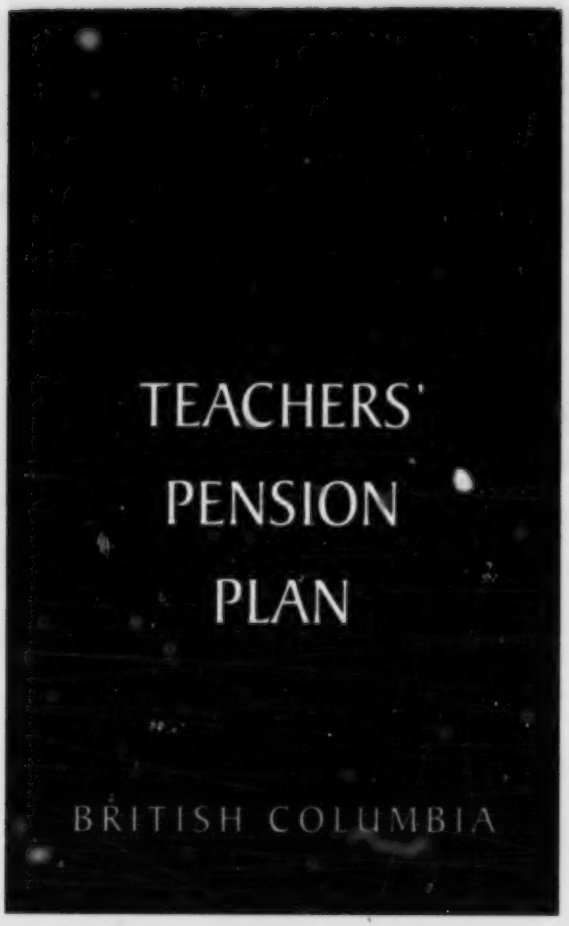

2003
ANNUAL REPORT

Teachers'
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Teachers' Pension Plan

2003

Annual Report

January 1, 2003 to December 31, 2003

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Message from the Board

The Teachers' Pension Board of Trustees is pleased to present this annual report for the fiscal year ending December 31, 2003. The board is responsible for the management of your pension plan, including the administration of benefits and the investment of approximately $11.4 billion in assets.

We'd like to welcome all new members who have joined the Teachers' Pension Plan. We are 78,000 members strong, including 20,000 retired members who are already receiving a pension. Active plan membership remained relatively stable, while the number of retired members increased last year.

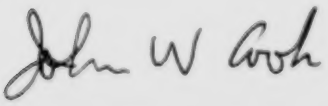
In 2003, we introduced new services and continued to improve existing service to our members. We successfully eliminated the backlog of purchase requests, and greatly improved the response time for requests. A new online purchase estimator that allows members to easily calculate purchase of service costs themselves was made available on the website. In addition, a new online personalized pension estimator creates an unlimited number of pension estimates to assist members with their retirement planning. These tools and other plan products can be accessed at our redesigned and expanded website at **pensionsbc.ca**.

We are committed to improving communications with our members by streamlining material and providing easily understood plan information. Our redesigned newsletter for retired members—*PensionNews*—provides news and information directly associated with the Teachers' Pension Plan. Among the many new and updated publications, a revised retirement information and application package is currently under development. It is aimed at simplifying the retirement process for our members, and we're looking forward to it becoming available in 2004.

One of our major roles is to focus on the financial health of the plan. The goal is to achieve consistent and steady performance over the long term by following sound investment principles. Every three years an independent actuary assesses the financial health of the plan, and the last valuation at December 2002 shows the fund remains financially strong. However, with changing economic conditions, declining investment market returns, and the aging plan membership, the actuary determined that an increase in contribution rates would be necessary. In order for the pension plan to maintain its financial viability and to provide the promised pension benefit to plan members, a contribution rate increase shared by plan members and employers will take effect in July 2004.

We're committed to ensuring that your pension plan is well managed, and we look forward to continuing to work on your behalf to fulfill the pension promise.

If you'd like to contact us or share your comments, please write, call or e-mail us at the address on the back cover.



John W. Cook, Chair

Trustees as at December 31, 2003

Chair

John W. Cook

Trustee

Joan Axford	Secretary-Treasurer, School District #63 (Saanich)
John Bogunovic	Teacher, Chilliwack
Lucas Corwin	Director, Labour Policy, Public Sector Employers' Council Secretariat
Wayne Jefferson	Secretary-Treasurer, School District #36 (Surrey)
Bruce Kennedy	Executive Director, Public Sector Employers' Council Secretariat
Dale Lauber	Director, Income Security, British Columbia Teachers' Federation
Gerry Tiede	Principal, School District #36 (Surrey)
Tom Vincent	Assistant Deputy Minister, Ministry of Advanced Education
Bruce Watson	Retired member, Burnaby
Linda Watson	Teacher, North Vancouver

Message from the Chief Executive Officer BC Pension Corporation

The BC Pension Corporation is one of the largest pension benefit administrators in Canada, providing services to six pension plans including the Teachers' Pension Plan.

As an agent to the Teachers' Pension Board of Trustees, our services include enrolling members, collecting and recording members' and employers' contributions, and processing pension benefits. The corporation also provides policy and communications support to the board.

Our vision of service delivery is to make every plan member's pension experience easy, by providing great value and exceptional service to each client. Whether enhancing web-based information and services, simplifying the retirement process, eliminating service backlogs, improving financial and performance reporting, or reducing costs, we worked hard in 2003 to meet or exceed your expectations. We are committed to reviewing our business processes and practices looking for ways to improve service and be more efficient. We are also committed to the rigors of comprehensive business planning, transparent reporting of results against plans, and benchmarking our performance against industry best practises.

Client surveys confirm that we have made tremendous gains in building a client-focused culture. In our survey of recently retired members of the Teachers' Pension Plan, 93% were satisfied or very satisfied with the services they received. As well, our first-ever survey of long-term retirees indicated that 90% were satisfied with the service they receive from the corporation.

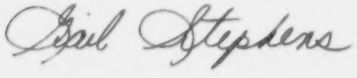
We are always looking to improve communications with your plan members. Pension information can sometimes be daunting, but by practicing plain language principles and simplifying material, we are producing information that is easier to understand. Among several products we revised last year was the annual *Member's Benefit Statement*. It was redesigned to include clear explanations and definitions adjacent to the member's personal pension data.

During the year, we also completed the first phase of a redesigned retirement information and application package. The new package contains streamlined material and fewer forms that members have to fill out. The forms were reduced from twenty-four to eight, making the retirement process easier for members.

In 2003, the corporation launched a new website that is easier to navigate and that offers enhanced online services for your plan. The new services include a personalized pension estimator and a purchase of service estimator. These tools allow members to easily create pension estimates or calculate purchase costs themselves. We are providing pension information faster, better and cheaper than ever before.

In April, John Mochrie retired after three years as Chief Executive Officer of the Pension Corporation. Mr. Mochrie led the corporation through its foundation-building years, and I feel privileged to follow in his footsteps and to benefit from his expertise.

I would like to thank the members of the Teachers' Pension Board of Trustees for the opportunity of working with you as your Chief Executive Officer. It has been a genuine pleasure serving you. I would also like to thank the management and employees of the BC Pension Corporation whose dedication and hard work have made all of the innovations and improvements possible. We will continue to strive to achieve our vision, and to meet or exceed your expectations and those of your members and employers.



Gail Stephens
Chief Executive Officer
BC Pension Corporation

Message from the Chief Investment Officer
British Columbia Investment Management Corporation

After a couple of disappointing years, stock markets experienced a significant rebound in 2003. As a result, the Basic Account of the Teachers' Pension Plan earned a 13.0% return in 2003. While we are thankful for the stronger-than-expected results, our outlook is that future returns will not be as strong and will typically fall in the 7.0% to 8.0% range.

Declining interest rates led to quite good returns from fixed income securities (bonds and mortgages). In 2003, the plan earned 6.4% from its government bond portfolio and 6.9% from fixed-term mortgages. However, 30-year Government of Canada bonds are currently yielding less than 5.0% and, at prevailing interest rates, it will be difficult to achieve the plan's longer term investment objectives by investing in fixed income securities. In addition, we are expecting some upward pressure on interest rates because of the high levels of monetary stimulus by central bankers and strong global demand for capital. Rising interest rates will adversely affect fixed income returns and, therefore, the return prospect from debt investments appears to be more subdued than in the past.

After two years of declining prices, markets often experience a rebound. The Canadian stock market was particularly strong in 2003 as the TSX index rose 26.7%. While foreign stock market indices experienced similar increases, the impact on domestic investors was somewhat muted because of the rising Canadian dollar. The British Columbia Investment Management Corporation (bcIMC) helped to mitigate the impact of the rising dollar through currency hedging.

The strongest returns in 2003 came from the lower quality stocks (e.g., technology companies), emerging markets, and smaller capitalization stocks. Investors who focused on better quality companies with superior balance sheets did not fare as well as the broad-based market indices. The rise in the price of lower quality stocks is a little worrisome because, unless earnings improve, it may prove to be difficult to maintain the relatively high valuations.

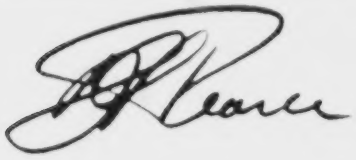
Real estate provides diversification benefits and return stability. The plan earned a 7.6% return from its real estate investments in 2003. Strong demand for real estate from other investors is making it difficult to find attractively priced investment opportunities. However, the plan is increasing its real estate investments through existing holdings. Currently, we are developing three new apartment buildings in Vancouver.

Despite the 2003 results, there are still significant risks to capital markets and there is potential for large swings in investor sentiment and capital flows. Therefore, managing risk remains one of our most important priorities.

The British Columbia Investment Management Corporation is a responsible investor and endeavours to represent its clients' values through proxy voting and shareholder activism. In 2003, bcIMC joined the Canadian Coalition on Good Governance in order to better co-ordinate its activities and influence with like-minded investors. Problems in corporate governance continue to be an issue, and, as responsible investors and fiduciaries, we must remain vigilant in ensuring companies are acting in our best interest.

Surveys of North American pension plans have found that bcIMC is one of the lowest cost providers of investment services. We continue to look for ways to improve efficiency and enhance risk controls.

Overall, bcIMC has assembled a strong professional team with extensive experience in the investment management industry.



Doug Pearce
Chief Investment Officer/Chief Executive Officer
British Columbia Investment Management Corporation

Trustees, Partners and Agents

The Teachers' Pension Plan partners are the provincial government and the B.C. Teachers' Federation. The partners are responsible for appointing the trustees.

The **Teachers' Pension Board of Trustees** is responsible for the management of the pension plan, including the investment of the assets and the administration of the pension plan. The board looks after the best interests of the plan to ensure the funds are sufficient to pay pensions into the future. They decide on investment policies, and make amendments to the pension plan rules. A plan rule change that results in a contribution rate change must be approved by the partners. If the actuary determines that it's necessary to increase contribution rates, the trustees must increase employer and member contribution rates equally.

The **British Columbia Pension Corporation** provides benefit administration services as an agent of the board of trustees. This is where members are enrolled, contributions are collected, benefits are processed, and pension payments are issued.

The **British Columbia Investment Management Corporation** (bcIMC) provides investment management services as an agent of the board of trustees. The bcIMC is one of the largest institutional investors in the country, offering a wide range of fund management services and options.

Member Services and Communications

The Teachers' Pension Plan has a strong team of professionals devoted to providing quality and cost-effective services to plan members. Staff have made impressive gains in service improvements and efficiencies, including eliminating a backlog of purchase of service requests, adding new online services, and improving client response time.

We regularly conduct surveys of plan members to evaluate the quality of our services and to identify areas for improvement. The surveys show that both active and retired members give staff a high satisfaction rating for service quality. In addition, a survey of recent retirees showed almost three-quarters (73%) of the respondents were very satisfied with the services they received.

Communicating with plan members is a priority of the Teachers' Pension Board of Trustees. Guidelines have been developed to ensure all plan information is easy to understand and easy to use. By practicing plain language principles and focus testing many of our products, we continue to improve the effectiveness of our communication products.

New and updated communications materials are regularly published, and new online products and services are continually being developed. The plan produces the annual *Member's Benefit Statement*, forms, bulletins, *Pensionfacts*—a series of fact sheets—and a newsletter for retired members that is published twice a year. In addition, our website provides excellent pension plan information and online estimators at **pensionsbc.ca**.

Investments

Market Review

One of the major roles of the board of trustees as fiduciary for the plan is the responsibility for overseeing the investment of approximately $11.4 billion in assets for the long-term benefit of the plan and its members. The most important issue for any pension plan is long-term results, and the board's goal is to achieve consistent and steady performance over the longer term based on a disciplined approach and prudent decision-making.

The board of trustees approves the long-term asset mix policy for the investment assets and oversees the management of those assets through the board's investment management agent, the British Columbia Investment Management Corporation (bcIMC).

Diversification of investments is a key principle in the approved asset policy. Investments are held in a range of asset types (bonds, equities, real estate, etc.), industry sectors, and global markets.

There was a significant improvement in this year's investment results. Fixed income (bonds and mortgages) and real estate continued to provide solid returns. In addition, after a couple of disappointing years, stock markets experienced a significant rebound in 2003. For example, Canadian stocks, as measured by the TSX index, were up 26.7%. As a result of improved equity markets, the Basic Account earned a total return of 13.0%.

While we are thankful for the stronger-than-expected results, our outlook is that future total returns will not be as strong and will typically fall in the 7.0% to 8.0% range. This is consistent with the plan's longer-term objectives.

Approved Investment Asset Mix

Our diversified investment portfolio focuses on achieving consistent and steady performance over the long term. The board of trustees approves the long-term asset mix policy for the investment assets, and oversees the management of those assets through bcIMC.

Strategic and short-term asset allocation targets are set within the ranges shown in the table below. Short-term for asset mix purposes, includes government bonds with one- to five-year terms and money market funds.

Basic Investment Asset Mix and Performance

			December 31, 2003	
Asset Class	Approved Range (%)	Actual % of Assets	Rate of Return	Performance Benchmark**
Debt	**25-35**			
Short-term	0-5	2.0	4.0%	3.1%
Mortgages	0-10	4.1	6.9%	5.8%
Bonds	12-25	20.9	7.0%	6.8%
Real Return Bonds	0-10	3.6	*	13.3%
Equity	**65-75**			
Canadian Equities	17-30	26.2	26.7%	26.7%
U.S. Equities	10-20	15.4	9.2%	7.2%
International Equities	10-20	14.9	13.2%	13.6%
Real Estate	8-15	9.8	7.6%	6.0%
Private Placements	0-10	3.1	*	42.9%

* Annual rate of return not available.

** Benchmarks are standards to compare against actual investment returns.

Investment Portfolio

Investments are stated at fair market value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly, based on the value of the underlying assets. Income from investments represents pooled investment portfolio income attributable to the plan as a unit holder.

Investments Held as at December 31, 2003

	Market Value ($ Thousands)	Asset Mix Market Value (%)
Pooled Investment Portfolios		
Money Market	145,645	1
Canadian Bonds		
Government	1,445,258	12
Corporate	426,572	4
Long-term	473,521	4
Short-term	92,550	1
Canadian Equities		
Indexed	1,993,565	17
Actively Managed	1,001,301	9
U.S. Equities		
Indexed	1,336,687	12
Actively Managed	433,346	4
International Equities		
Asia	292,895	3
Europe	491,944	4
Europe, Australia and the Far East	905,603	8
Real Estate	1,121,689	10
Mortgages	467,834	4
Private Placements	312,036	3
Foreign Currency	23,828	-
Total Pooled Portfolios	**10,964,274**	**96**
Canadian Real Return Bonds	449,055	4
Real Estate Bonds	1,922	-
Total Investments	**11,415,251**	**100%**
2002 Comparison	$10,175,137	

For further information on the investment portfolio, visit the bcIMC website at **www.bcimc.com**.

Investments Held as at December 31, 2003

Top Ten Holdings
(underlying investments are in pooled portfolios)

Canadian Equities

Company	Market Value ($ Thousands)	% of Total
Royal Bank of Canada	$ 130,936	4.4%
Bank of Nova Scotia	129,243	4.3%
Toronto Dominion Bank	109,621	3.6%
Encana Corporation	89,212	3.0%
Bank of Montreal	86,541	2.9%
Canadian Imperial Bank of Commerce	86,221	2.9%
Alcan Inc	86,196	2.9%
Manulife Financial	83,888	2.8%
BCE Inc.	79,487	2.6%
Nortel Networks	68,838	2.3%
Total Top Ten	**$950,183**	**31.7%**
Total Canadian Equities	**$2,994,866**	

U.S. Equities

Company	Market Value ($ Thousands)	% of Total
Citigroup Inc	$ 36,544	2.1%
Exxon Mobil Corp	31,713	1.8%
Pfizer Inc	24,894	1.4%
Amern Intl Group	23,871	1.3%
Microsoft Corp	22,880	1.3%
General Electric	22,384	1.3%
Bank of America	16,551	0.9%
Intel Corp	15,061	0.9%
Wal Mart Stores	13,616	0.8%
Cisco Systems Inc	12,807	0.7%
Total Top Ten	**$ 220,321**	**12.5%**
Total U.S. Equities	**$ 1,770,033**	

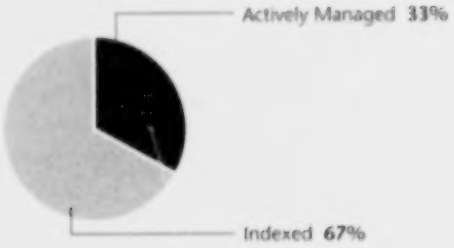
International Equities

Company	Market Value ($ Thousands)	% of Total
Vodafone Group	$ 42,539	2.5%
Total Fina Elf	31,852	1.9%
Glaxosmithkline	30,923	1.8%
BP	28,924	1.7%
HSBC Hldgs	27,905	1.7%
Novartis AG	27,307	1.6%
Nestle SA	23,083	1.4%
Nokia OYJ	19,657	1.2%
Roche Holdings AG	19,080	1.1%
ENI	19,069	1.1%
Total Top Ten	**$ 270,339**	**16.0%**
Total International Equities	**$ 1,690,442**	

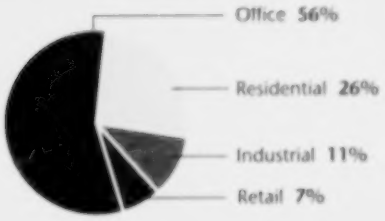
Investments Held as at December 31, 2003

2003 Investment Holdings (Market Value)

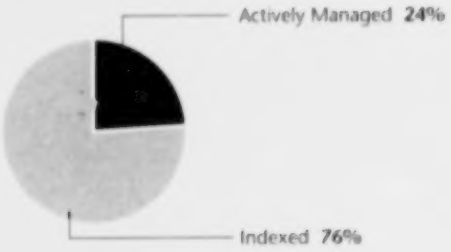
Canadian Equities (Market Value)



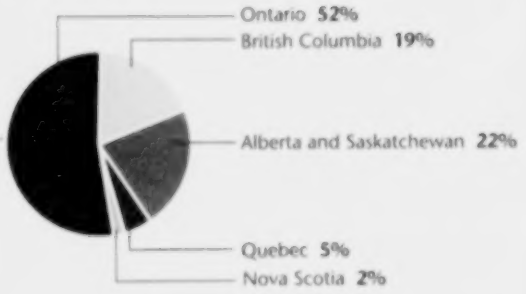
Real Estate, by Type



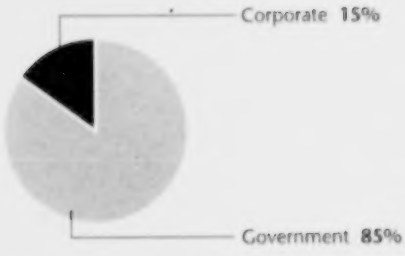
U.S. Equities (Market Value)



Real Estate, by Location



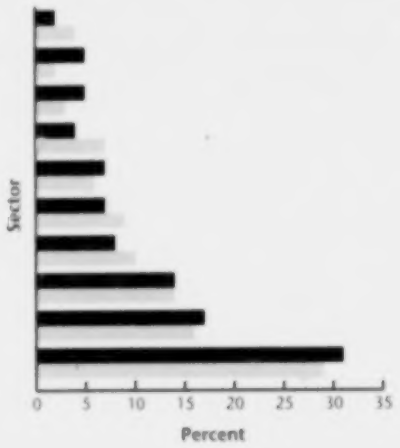
Bonds (Market Value)



Investments Held as at December 31, 2003

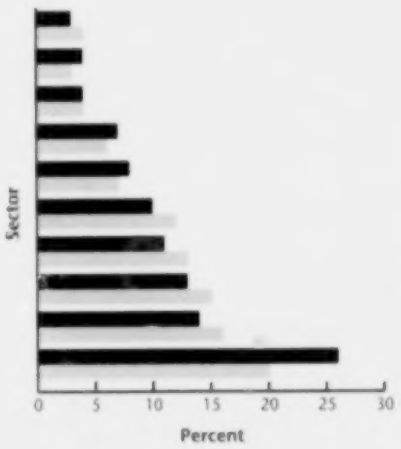
Canadian Equities, by Sector

	Indexed (%)	Actively Managed (%)
Health Care	2	4
Utilities	5	2
Telecommunications	5	3
Consumer Staples	4	7
Information Technology	7	6
Industrial Products	7	9
Consumer Discretionary	8	10
Energy	14	14
Materials	17	16
Financial Services	31	29
	100%	100%



U.S. Equities, by Sector

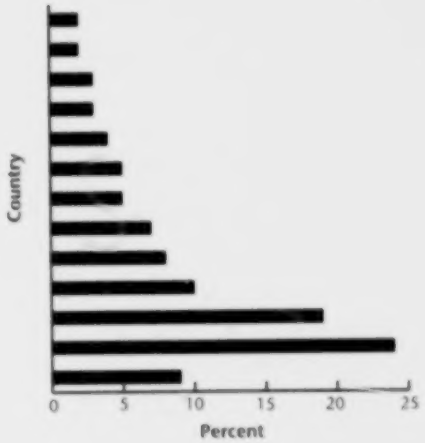
	Indexed (%)	Actively Managed (%)
Materials	3	4
Utilities	4	3
Telecommunications	4	4
Energy	7	6
Consumer Staples	8	7
Health Care	10	12
Industrials	11	13
Consumer Discretionary	13	15
Information Technology	14	16
Financial Services	26	20
	100%	100%



Investments Held as at December 31, 2003

International Equities (%)

Korea	2
Sweden	2
Hong Kong	3
Spain	3
Italy	4
Australia	5
Netherlands	5
Germany	7
Switzerland	8
France	10
Japan	19
United Kingdom	24
Other	8
	100%



Market Value Rates of Return for the Year Ended December 31, 2003

	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks (%)**	
Five-year Annualized Rates				
2003	**5.1**	**5.9**	**5.0**	
2002 Comparison	4.5	4.9	4.3	
Annual Rates				
2003	**13.0**	**14.5**	**14.5**	
2002 Comparison	(5.5)	(3.3)	(5.7)	
2003 Annual Rates by Investment Category				**2003 Performance Benchmark Indices**
Short-term				
Money Market	3.0	3.0	2.9	SCI Treasury Bills 91 Day
Bonds	4.7	4.7	4.6	SCI All Government Short-term
Bonds				
Government	6.4	6.4	6.0	SCI All Government Universe
Corporate	7.7	7.7	8.5	SCI All Corporate Universe
Long-term	8.4	8.4	8.0	SCI All Government Long-term
Real Return	*	12.8	13.3	SCI Real Bond
Canadian Equities				
Actively Managed	26.9	26.9	26.7	S&P/TSX
Indexed	26.6	26.6	26.7	S&P/TSX
U.S. Equities				
Actively Managed	7.3	7.3	6.3	R 1000
Indexed	5.3	5.3	5.3	S&P 500
Value	15.5	15.5	7.8	S&P 500 Value
Enhanced	5.3	5.3	6.3	R 1000
International Equities				
Asia	20.0	20.0	13.3	MSCI Pacific Net
Europe	12.0	12.0	13.3	MSCI Europe Net
Europe, Australia and the Far East	11.8	11.8	13.4	MSCI Europe, Australia, Far East Net
Real Estate	7.6	7.6	6.0	CPI + 4%
Mortgages				
Fixed-term	6.9	6.9	6.2	SCI Short-term Bonds + 1%
Construction	6.4	6.4	4.4	SCI One-year Bills + 1%
Specialty	9.9	9.9	6.0	SCI One-year Bills + 2.5%
Private Placements	*	*	42.9	NB Small Capital (weighted) + 4.5%

Performance Benchmark Indices Abbreviations

CPI = **Consumer Price Index**
MSCI = **Morgan Stanley Capital International**
NB = **Nesbitt Burns**
R = **Russell**
SCI = **Scotia Capital Inc.**
S&P = **Standard & Poor's**
S&P/TSX = **Standard & Poor's/Toronto Stock Exchange Composite**

(Source of annual rates: British Columbia Investment Management Corporation)

* Annual rate of return not available.

** Benchmarks are standards to compare against actual investment returns.

Financial Health

The Teachers' Pension Plan is financially sound. The fund holds a diversified portfolio of debt and equity investments that offer consistent and steady performance over the long term.

Every three years an independent actuary assesses the financial health of the plan and the adequacy of the contribution rates for funding the plan. At the most recent actuarial valuation as at December 31, 2002, the plan had an unfunded liability for basic pension benefits of $382 million. This unfunded liability is down slightly from the unfunded liability of $454 million at the previous valuation. The funded portion of the liability is more than 97% of the total liabilities for basic pension benefits. As a result of the valuation, it was determined that an increase in contribution rates is necessary so that the pension plan will maintain its financial viability. Effective July 1, 2004, plan member and employer contribution rates will each be increased by 0.55% of salaries. (See Plan Membership section for contribution rate information.)

Latest Actuarial Valuation as at December 31, 2002

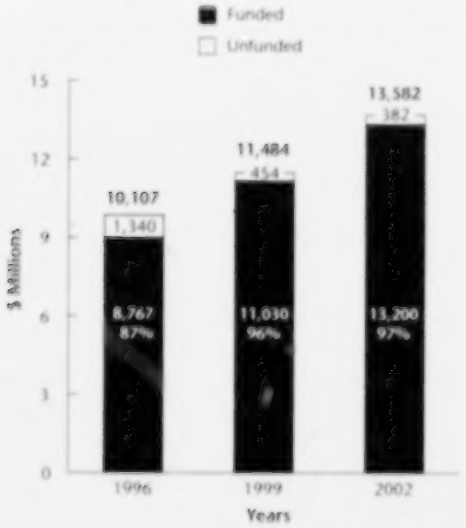
$ Millions

	Basic Pension Benefits Unfunded Liability		
	2002	1999	1996
For Funding Purposes*	$381.8	$454.4	$1340.4
Ratio of Unfunded Liability to Covered Payroll*	17%	21%	66%
For Accounting Purposes to December 31	$551.8	$494.0	$1421.7

* Assuming contributions continue at rates in effect at the valuation date.

See Note 7 and Note 8 to the Financial Statements for additional explanation.

Funding of the Total Basic Benefit Liability



Financial Health

The Teachers' Pension Plan is financially sound. The fund holds a diversified portfolio of debt and equity investments that offer consistent and steady performance over the long term.

Every three years an independent actuary assesses the financial health of the plan and the adequacy of the contribution rates for funding the plan. At the most recent actuarial valuation as at December 31, 2002, the plan had an unfunded liability for basic pension benefits of $382 million. This unfunded liability is down slightly from the unfunded liability of $454 million at the previous valuation. The funded portion of the liability is more than 97% of the total liabilities for basic pension benefits. As a result of the valuation, it was determined that an increase in contribution rates is necessary so that the pension plan will maintain its financial viability. Effective July 1, 2004, plan member and employer contribution rates will each be increased by 0.55% of salaries. (See Plan Membership section for contribution rate information.)

Latest Actuarial Valuation as at December 31, 2002

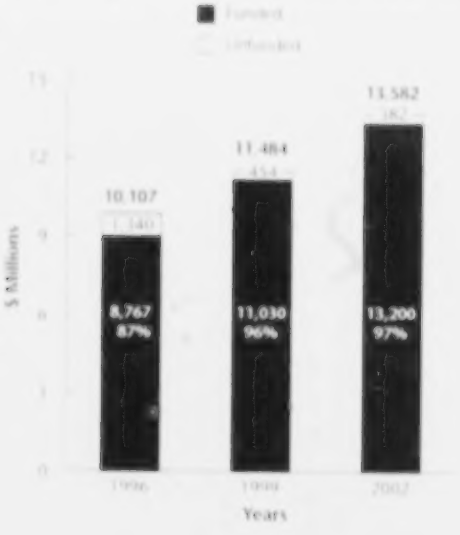
$ Millions

	Basic Pension Benefits Unfunded Liability		
	2002	1999	1996
For Funding Purposes*	$181.8	$454.4	$1,340.4
Ratio of Unfunded Liability to Covered Payroll*	1.7%	4.1%	6.6%
For Accounting Purposes to December 31	$551.8	$494.0	$1,421.7

* Assuming contributions continue at rates in effect at the valuation date

See Note 7 and Note 8 (c) in the Financial Statements for additional explanation.

Funding of the Total Basic Benefit Liability



Plan Benefits

Pensions

Plan benefits are defined by the pension plan rules made under the authority of the Joint Trust Agreement. The following is a general description of plan benefit rules.

Your basic pension benefit is defined, meaning your pension is based on how many pensionable years you were an active member, the average of your five highest years of salary (not necessarily your last five years) and your age at retirement. Your pension is not based on how much you contributed to the plan, nor is it based on the investment performance of the plan's assets. The advantage of a defined benefit is that your pension is predictable. Members are entitled to a pension benefit after two years of contributory service.

The plan also provides survivor and disability benefits. Benefits such as inflation protection to the basic pension and group health benefits are not guaranteed, and are contingent on available funding. The board monitors the ability to continue to provide these benefits on an ongoing basis. On January 1, 2003, retired members received a full Consumer Price Index (CPI) increase of 2.3% (in 2002 it was 2.6%). Inflation increases to your pension may be provided each year, based on the annual increase in the Consumer Price Index. (See Note 7b to the Financial Statements).

In 2003, the Teachers' Pension Plan provided pensions to approximately 20,000 retired members, an increase of 6.5% in retired members from the previous year.

The table below shows the average asset value ("present value") of pensions granted during 2003. The value represents approximately how much it would cost to purchase an average basic pension provided under the Teachers' Pension Plan.

Average Values of Regular Pensions Granted January 1, 2003 to December 31, 2003
Subdivided by years of service

Years of Service*	Number of Pensions Granted	Average Annual Salary Base	Average Annual Pension	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 years	60	$50,000	$ 5,000	$ 63,000	$ 3.8
10–14	96	56,000	11,000	153,000	14.7
15–19	151	58,000	16,000	235,000	35.5
20–24	154	60,000	21,000	318,000	49.0
25–29	231	65,000	29,000	426,000	98.4
30–34	551	67,000	35,000	556,000	306.4
≥35 years	58	68,000	38,000	565,000	32.8
Total	**1,301**	**n/a**	**n/a**	**n/a**	**$540.6**
All Pension Average	n/a	**$61,000**	**$27,000**	**$415,000**	n/a

* Years of service includes service transferred from other plans.

Pensions 1994–2003

	Granted During Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid ($ Millions)	Inflation Adjustments Paid ($ Millions)	Total ($ Millions)
2003	**1,490**	**292**	**19,733**	**398.8**	**85.2**	**484.0**
2002	1,542	312	18,535	361.6	78.3	439.9
2001	1,230	265	17,305	327.6	71.4	399.0
2000	831	291	16,340	305.8	64.2	370.0
1999	1,673	262	15,800	277.4	58.4	335.8
1998	1,370	291	14,389	242.2	58.8	301.2
1997	1,048	201	13,310	214.2	56.7	270.9
1996	970	228	12,463	192.0	54.9	246.9
1995	1,050	207	11,721	170.3	51.9	222.2
1994	668	228	10,878	150.1	52.9	203.0

Pensions Granted, by Type 1994–2003

	Regular*	Death*	Disability	LTD to Pension	Deferred	Total
2003	**1,301**	**28**	**1**	**107**	**53**	**1,490**
2002	1,381	24	1	73	63	1,542
2001	1,097	22	0	61	50	1,230
2000	717	13	3	67	31	831
1999	1,494	9	3	83	84	1,673
1998	1,207	19	5	54	85	1,370
1997	896	14	5	52	81	1,048
1996	787	13	9	60	101	970
1995	883	18	5	56	88	1,050
1994	540	15	13	30	70	668

* Pensions granted do not include pensions continued to a beneficiary upon the death of a retired member.

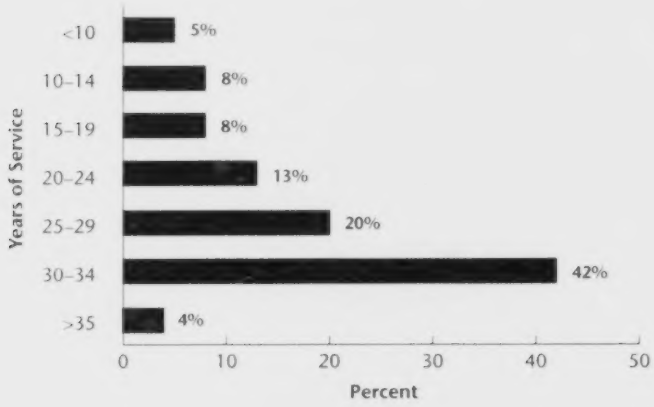
2003 Regular Pensions Granted by Age at Retirement

Subdivided by years of service and age at retirement

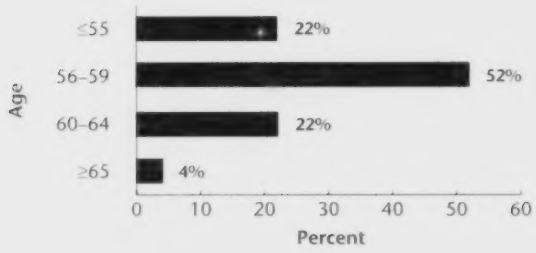
Years of Service	55	56–59	60–64	65	Total
<10 years	10	17	27	12	66
10–14	26	26	34	11	97
15–19	36	38	35	5	114
20–24	50	72	45	3	170
25–29	61	115	66	9	251
30–34	105	380	54	8	547
≥35 years	4	25	21	6	56
Total	**292**	**673**	**282**	**54**	**1,301**

Average Age 57

Percentage of 2003 Regular Pensions by Years of Service



Percentage of 2003 Regular Pensions Granted by Age



Termination and Refund Benefits

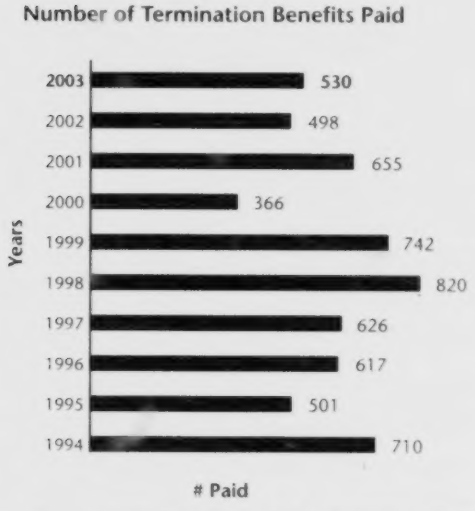
A terminating member who is eligible for a pension but has not yet reached the earliest retirement age may choose:

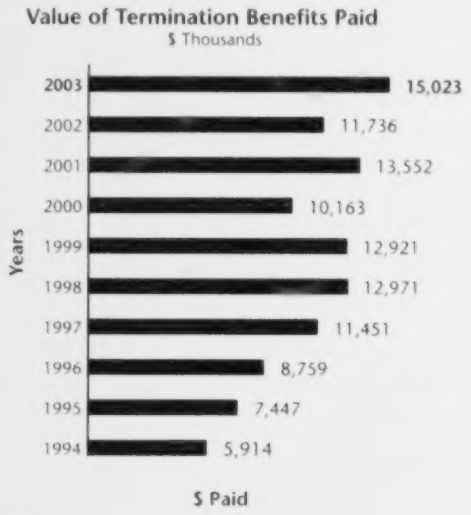
- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in Registered Retirement Savings Plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in the pension plan in anticipation of future entitlements. If a member is under 60 with less than two years of service, he/she may also choose a refund of contributions with interest.

Interest compounds annually and is credited to the member's contribution balance. The balance, including interest, is included in the annual *Member's Benefit Statement*. The rate of interest is governed by pension standards and pension plan legislation and is based on average five-year bank personal term deposit rates (2003 – 3.07%; 2002 – 3.74%).

The number and value of termination and refund benefits paid can vary from year to year, depending on the employment environment, the type of benefit paid, and the plan member's entitlement. The number of termination benefits paid increased compared to 2002.





Termination benefits paid include refunds of contributions and commuted-value payments; deferred pensions are included in pension statistics.

Transferring Service

Transfer agreements allow members to carry pension rights from one plan to another. Members may carry their years of pensionable service and contributions to a new plan, at a different place of employment, if the new plan has an agreement with the Teachers' Pension Plan. Employers that allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers." In order to transfer service the member must have left their contributions on deposit, or reinstated service. Members of the Teachers' Pension Plan who have made contributions to other pension plans may want to inquire about transfer agreements.

Transfer agreements are in place between the Teachers' Pension Plan and the three large BC public sector plans (College, Municipal and Public Service), and other plans that have signed agreements. In 2003, there were 621 reciprocal transfers-in from other pension plans and 380 transfers-out. The transfers-in totaled approximately $32.6 million; transfers-out totaled approximately $18.5 million. Approximately 43% of the transfers-in were from four BC public sector plans, and about 57% were from other provinces. Approximately 52% of the transfers-out were to four BC public sector plans, and about 48% were to other provinces.

Purchase of Additional Service

Members of the Teachers' Pension Plan may be able to increase their future pension benefits by purchasing periods of past service. Purchasing service means paying for periods of employment that have not already been counted as service with the pension plan. This service may include:

- leaves of absence (maternity, parental or other leave)
- arrears contributions (not enrolled, but eligible to buy back missed contributions)
- other service (employment service before becoming a regular contributor), or
- reinstatements (contributions previously refunded from the plan)

Purchase of service rules changed April 1, 2002. There is a deadline for members to apply to purchase historical periods of service by March 31, 2007. Beginning April 1, 2007, members may only purchase periods of service that occurred during the previous five years, provided the member applies to purchase prior to terminating employment. More information about purchasing service, including costs is available on your plan website at **pensionsbc.ca**.

In 2003, the number of purchases of additional service increased 47% from 2002. The value of the purchases increased 45%.

Member and Employer Purchases of Additional Service

	Number of Purchases		Value of Purchases ($ Thousands)	
	2003	2002	**2003**	2002
Leaves of Absence	**3,538**	1,857	**$ 15,824**	$8,570
Arrears Contributions	**166**	425	**1,104**	312
Other Service	**249**	150	**1,169**	501
Reinstatements	**474**	582	**5,596**	6,973
Total	**4,427**	3,014	**$23,693**	$16,356

Plan Membership

Membership in the Teachers' Pension Plan is open to all certified teachers, including administrative staff who are certified teachers, who are appointed by a board of school trustees in the British Columbia public school system, and to eligible employees of other employers approved by the Teachers' Pension Board of Trustees. Once an employee elects or qualifies to contribute to the plan, contributions continue until the member terminates employment, retires, or until the employee has completed 35 years of pensionable service.

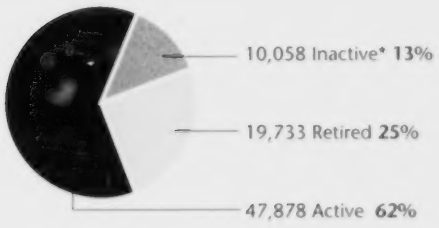
Participating employers are the school districts, the British Columbia College of Teachers, the Teacher Qualification Service (British Columbia), the British Columbia School Superintendents' Association, the British Columbia Principals' and Vice-Principals' Association, the Francophone Education Authority, and the British Columbia Teachers' Federation.

There are three categories of members in the Teachers' Pension Plan:

- **Active**—those who are currently contributing, or are receiving benefits from an approved salary continuance plan, or are on a leave of absence.
- **Inactive**—those who have terminated their employment and left contributions in the plan. They may or may not be eligible for a pension in the future. Those who are eligible are known as vested and deferred members. Even if an inactive member is not entitled to a Teachers' Pension Plan benefit, they may be eligible for a pension as a result of combining their entitlement in other pension plans covered by a Transfer Agreement.
- **Retired**—those who are receiving a pension.

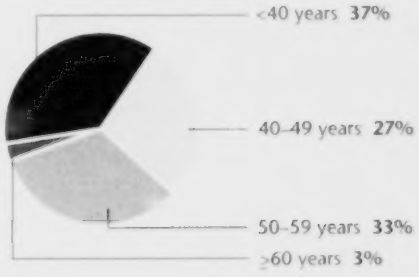
There are approximately 48,000 active plan members in the Teachers' Pension Plan, a decrease of about 2.0% from 2002. The number of retired members increased to about 20,000.

2003 Membership Profile

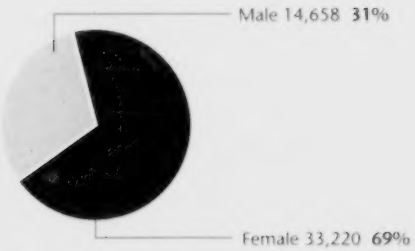


* Members no longer employed but with money on deposit in the plan.

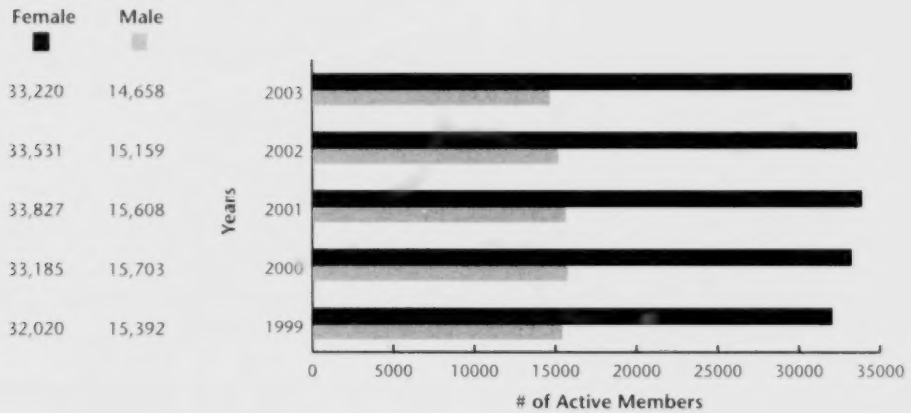
2003 Age Profile of Active Members



2003 Active Member Profile



Active Members



Number of Members

	Active	Inactive, Terminated	Inactive, Vested and Deferred	Retired	Total
2003	**47,878**	**6,757**	**3,301**	**19,733**	**77,669**
2002	48,690	6,710	3,202	18,535	77,137
2001	49,435	6,486	3,087	17,305	76,313
2000	48,888	6,492	2,834	16,340	74,554
1999	47,412	8,142	2,667	15,800	74,021

Contributions

Members of the Teachers' Pension Plan contribute to the plan through automatic deductions from their salary. Both plan members and employers pay contributions to fund future pension benefits. Once a member terminates employment, retires, or reaches 35 years of pensionable service, they no longer contribute. The contribution rates in the table below are applied to pensionable salaries. As recommended by the actuary on the basis of the 2002 valuation, the trustees have decided that effective July 1, 2004, plan member and employer contribution rates will be increased by 0.55%. The current and future rates are as follows:

Plan member

- 7.0% of pensionable salary up to and including the YMPE[1] (effective July 1, 2004: 7.55%), and
- 8.5% of pensionable salary for salary greater than the YMPE[1] (effective July 1, 2004, 9.05%).

Employer

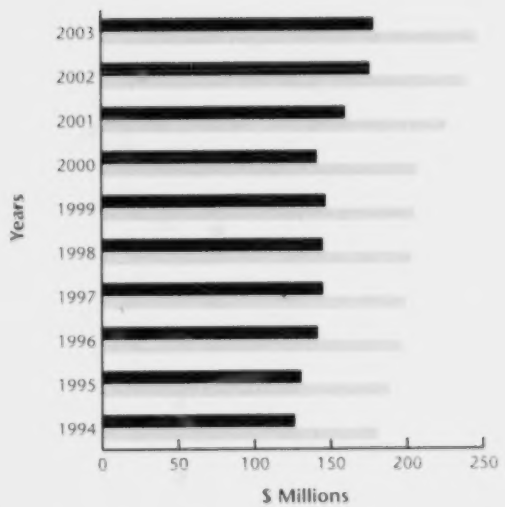
- 10.13% of pensionable salary up to and including the YMPE[1] (effective July 1, 2004: 10.68%), and
- 11.63% of pensionable salary for salary greater than the YMPE[1] (effective July 1, 2004: 12.18%).

[1] Year's Maximum Pensionable Earnings (YMPE) is the earnings on which you make Canada Pension Plan (CPP) contributions. The 2003 YMPE was $39,900, and will increase to $40,500 in 2004.

Contributions

$ Millions

Year	Member	Employer
2003	177.80	245.60
2002	175.20	238.92
2001	158.98	225.23
2000	140.29**	205.89
1999	145.99	204.40
1998	144.05	211.95*
1997	144.08	199.08
1996	140.52	195.26
1995	129.60	187.81
1994	125.32	179.47



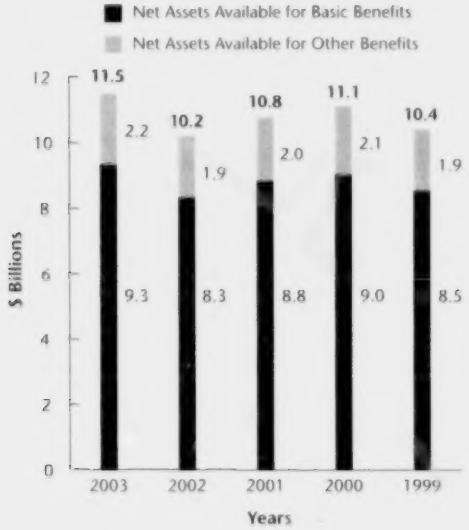
*1998 employer contributions includes $9.69 million early retirement funding from the Province.
**Member contributions declined in 2000 as a result of decreased purchases of service.

Five-year Financial Summary

$ Thousands

For the year ended December 31	2003	2002	2001	2000	1999
Increase (Decrease) in Assets					
Investment Income (Loss)	$1,345,204	$ (531,240)	$ (204,739)	$ 750,650	$ 1,324,510
Contributions					
Members	177,820	175,201	158,978	140,294	145,989
Employers	245,606	238,915	225,227	205,886	204,396
Province of British Columbia	–	–	10,527	–	–
Transfers from Other Plans	32,581	8,515	7,470	8,613	16,895
Total Increase (Decrease) in Assets	**1,801,211**	**(108,609)**	**197,463**	**1,105,443**	**1,691,790**
Decrease in Assets					
Pension Benefits	484,022	439,897	399,046	370,044	335,797
Termination and Refund Benefits	15,023	11,736	13,552	10,163	12,921
Transfers to Other Plans	18,508	18,237	5,284	7,605	2,936
Retired Member Group Benefits	13,138	20,124	22,954	20,528	18,461
Investment and Administration Costs	24,601	23,333	21,758	20,630	17,707
Total Decrease in Assets	**555,292**	**513,327**	**462,594**	**428,970**	**387,822**
Increase (Decrease) in Net Assets	1,245,919	(621,936)	(265,131)	676,473	1,303,968
Net Assets Available for Benefits at Beginning of Year	10,201,885	10,823,821	11,088,952	10,412,479	9,108,511
Net Assets Available for Benefits at End of Year	$11,447,804	$10,201,885	$10,823,821	$11,088,952	$10,412,479
			As a Percentage of Net Assets		
Benefit Administration Costs	0.07%	0.07%	0.06%	0.05%	0.06%
Investment Management Costs	0.15%	0.16%	0.14%	0.14%	0.11%

Net Assets Available for Benefits
as at December 31, 1999–2003



PENSION
CORPORATION

Executive
Offices

Mailing Address:
PO Box 9460
Stn Prov Govt
Victoria BC
V8W 9V8

Location:
2995 Jutland Road
Victoria BC
V8T 5J9

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250-387-8201
1-800-663-8823
Fax:
250-387-4199

TEACHERS' PENSION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Teachers' Pension Plan (Plan) were prepared by the British Columbia Pension Corporation (Corporation), the administrative agent for the Board of Trustees (Board) of the Plan. The Board is responsible for having annual financial statements prepared in accordance with generally accepted accounting principles. The Corporation prepares the financial statements on the Board's behalf and is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Teachers' Pension Plan Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the Plan by the Board. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of KPMG LLP has been appointed the independent auditor to the Plan by the Board. The role of the auditor is to perform an independent audit of the financial statements of the Plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

SHELDON SCHWARTZ, C.F.A.
Chief Financial Officer
British Columbia Pension Corporation

SANDRA LENZ, C.A.
Director, Finance
British Columbia Pension Corporation

KPMG LLP
Chartered Accountants
St. Andrew's Square I
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
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www.kpmg.ca

AUDITORS' REPORT

To the Members of the Teachers' Pension Plan

We have audited the statement of net assets available for benefits of the Teachers' Pension Plan as at December 31, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the Plan's net assets available for benefits as at December 31, 2003 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

April 8, 2004

KPMG is a Canadian limited liability partnership and the Canadian member of KPMG International, a Swiss nonoperating association.

TEACHERS' PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

December 31	2003	2002
ASSETS		
Investments (Note 3)	$ 11,415,251	$ 10,175,137
Receivables		
Members' contributions	10,863	11,819
Employers' contributions	15,714	17,097
Accrued investment income	1,284	981
Due from sale of investments	18,500	5,456
	46,361	35,353
Prepaid expense	1,233	458
Cash	3,245	1,628
Total Assets	11,466,090	10,212,576
LIABILITIES		
Payable for purchase of investments	5,000	-
Accounts payable and accrued expenses	13,286	10,691
Total Liabilities	18,286	10,691
NET ASSETS AVAILABLE FOR BENEFITS	$ 11,447,804	$ 10,201,885

All accompanying notes are an integral part of these financial statements including:

- Actuarial Valuation of the Basic Account for Funding Purposes (Note 7)
- Actuarial Valuation of the Basic Account for Accounting Purposes (Note 8)
- Commitments (Note 11)

John W. Cook, F.C.I.A.,
Chair and Trustee
Teachers' Pension Board of Trustees

Bruce Kennedy
Trustee
Teachers' Pension Board of Trustees

Gerry Tiede
Trustee
Teachers' Pension Board of Trustees

TEACHERS' PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended December 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2003	Totals 2002
INCREASE (DECREASE) IN ASSETS					
Investment income (loss) (Note 4)	$ 1,071,450	$ 275,754	$	$ 1,345,204	$ (551,240)
Contributions (Note 5)					
Members'	151,084	46,735	5	177,820	175,201
Employers'	219,175	12,954	15,477	245,606	238,915
	550,259	59,687	15,480	425,426	414,116
Transfers from other plans	24,687	7,894	-	32,581	8,515
Total Increase (Decrease) in Assets	1,646,396	343,335	15,480	1,803,211	(108,609)
DECREASE IN ASSETS					
Pension benefits					
Contributory	598,721		100	598,821	561,000
Indexing supplements	85,190	-	11	85,201	78,291
	685,911		111	684,022	639,897
Termination and refund benefits	10,899	4,107	17	15,023	11,736
Transfers to other plans	14,091	4,417		18,508	18,257
Retired member group benefits (Note 10)			15,158	15,158	20,124
Investment and Administration costs (Note 9)	21,577	5,010	214	24,601	25,353
Total Decrease in Assets	590,278	11,534	15,480	555,292	515,427
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	916,118	329,801	-	1,245,919	(621,936)
Account transfers (Note 6)	92,084	(92,084)	-		
INCREASE (DECREASE) IN NET ASSETS	1,008,202	237,717	-	1,245,919	(621,936)
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	8,275,112	1,926,775	-	10,201,885	10,823,821
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 9,285,314	$ 2,164,492	$ -	$ 11,447,804	$ 10,201,885

Supplemental Benefits Account (Note 10)

TEACHERS' PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN

The Teachers' Pension Plan (Plan) is a jointly trusteed pension plan governed by a Joint Trust Agreement (Agreement). Joint trusteeship was established April 5, 2001. The ongoing partners to the Agreement are the provincial government and the B.C. Teachers' Federation (Partners). The Agreement describes the composition, appointment, powers, functions and duties of the Teachers' Pension Board of Trustees (Board) and provides the authority for the rules. The following brief description of the Plan is provided for general information only. For more information please refer to the Joint Trust Agreement and the Plan rules.

a) General

The Plan is open to all certified teachers, administrative officers (Principals and Vice-Principals), teachers-on-call, superintendents, assistant superintendents, associated professionals and certified professionals who are appointed by a board of school trustees in the British Columbia public school system.

b) Roles and Responsibilities

The Board of Trustees
The Partners are responsible for directing amendments to the Plan, if certain conditions are met, and for resolving trustee disputes. The Board consists of up to eleven members. The Partners appoint ten trustees representing Plan members and Plan employers. The eleventh member, the Chair, is appointed by the other trustees. The Board is fully responsible for the management of the Plan, including investment of the assets and administration of the Plan. The Board may amend the Plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the Plan. Unless required to ensure compliance with regulatory enactments applicable to the Plan, Plan rule changes that result in contribution rate changes can only be initiated by the Partners.

British Columbia Pension Corporation (Pension Corporation)
The Pension Corporation provides administrative services as an agent of the Board.

British Columbia Investment Management Corporation (bcIMC)
bcIMC provides investment management services as an agent of the Board.

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN (continued)

c) Contributions

Basic Account
Members contribute to the Basic Account 5.0% (5.55% effective July 1, 2004) of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($39,900 in 2003) and 6.5% (7.05% effective July 1, 2004) of salaries over the YMPE, less amounts allocated to the Supplemental Benefits Account (See Notes 5 and 10)

Employers contribute to the Basic Account 9.0% (9.55% effective July 1, 2004) of salaries up to and including the YMPE and 10.5% (11.05% effective July 1, 2004) of salaries over the YMPE, less amounts allocated to the Supplemental Benefits Account (See Notes 5 and 10).

Inflation Adjustment Account
Members contribute 2% of salaries to the Inflation Adjustment Account. Employers contribute 1.13% of salaries to the Inflation Adjustment Account, less amounts allocated to the Supplemental Benefits Account (See Notes 5 and 10).

d) Pension Benefits

All members with two years of contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with age plus years of service equalling 90 or more.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.3% of pensionable earnings, up to the YMPE and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years).

Pensionable earnings are based on the member's five-year highest average salary (HAS). The Plan also provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.7% of the lesser of YMPE or the HAS.

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN (continued)

d) Pension Benefits (continued)

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6 and 7b).

At January 1, 2003, retired members received a full CPI increase of 2.3% (2002: 2.6%). At January 1, 2004, retired members will receive a full CPI increase of 2.2%.

e) Termination and Portability Benefits

A terminating member who is eligible for a pension, but has not reached the earliest retirement age, may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements, or if under 60 with less than two years of contributory service, may also choose a refund of contributions with interest.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer certain pension rights.

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account of the pension fund. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

g) Income Taxes

The Plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act (Canada)* except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The Plan is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the Plan as a separate financial reporting entity, independent of the Plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the trustees of the Plan. It does not purport to show whether these assets are adequate to meet all of the obligations of the Plan.

Certain comparative figures have been reclassified to conform with the current year's presentation.

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Where available, fair values of these assets are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not available, fair values are derived using valuation methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate. The value of derivative contracts is included in the fair value of pooled investment portfolios.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards have been transferred).

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder. The current period change in market value includes realized and unrealized gains and losses.

Within the pools, dividends are accrued on the ex-dividend date. Income and expenses from derivative contracts are accrued as earned and included as income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair values.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of investments and the estimate of the actuarial position of the Basic Account.

3. INVESTMENTS (FAIR VALUE)

	2003			2002
	Basic Account	Inflation Adjustment Account	Total	Total
	($ Thousands)			
Short-term	$ 102,197	$ 43,448	$ 145,645	$ 214,913
Canadian Bonds	2,346,062	540,894	2,886,956	2,731,236
Canadian Equities	2,846,138	657,994	3,504,132	3,218,534
U.S. Equities	1,010,532	250,235	1,260,767	713,391
International Equities	1,356,576	333,866	1,690,442	1,433,060
Foreign Currency	19,170	4,658	23,828	-
Mortgages	378,851	88,983	467,834	411,711
Real Estate	912,842	210,769	1,123,611	1,065,776
Private Placements	286,597	25,439	312,036	386,516
	$9,258,965	$2,156,286	$11,415,251	$10,175,137

3. INVESTMENTS (FAIR VALUE) (continued)

Plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by the bcIMC. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and, in the case of international equities, investments in Europe, Australia and the Far East. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of currency exposure.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside of the structure of public markets (Note 11).

The mortgages are secured by real estate and are valued using current market yields. The real estate is valued quarterly by bcIMC's external real estate investment managers and at least, once every ten to eighteen months by accredited independent appraisers to establish current market values. Private placements are valued annually based on audited financial statements from private placement external managers.

The Plan also uses derivative contracts held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk, and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or currency rates. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

4. INVESTMENT INCOME

	2003			2002
	Income Allocation	Current Period Change In Market Value	Total	Total
	($ Thousands)			
Basic Account				
Short-term	$ 5,021	$ (136)	$ 4,885	$ 4,002
Canadian Bonds	115,121	37,967	153,088	192,342
Canadian Equities	55,828	497,542	553,370	(347,305)
U.S. Equities	81,499	49,617	131,116	(162,817)
International Equities	29,430	129,714	159,144	(220,071)
Foreign Currency	1,425	5,309	6,734	-
Mortgages	22,594	1,287	23,881	26,898
Real Estate	46,111	19,519	65,630	53,438
Private Placements	3,812	(30,210)	(26,398)	(12,931)
Investment Income (Loss)	$ 360,841	$710,609	$1,071,450	$(466,444)
Inflation Adjustment Account				
Short-term	$ 830	$ 12	$ 842	$ 304
Canadian Bonds	29,682	21,780	51,462	76,233
Canadian Equities	11,751	112,036	123,787	(63,339)
U.S. Equities	21,348	11,353	32,701	(40,553)
International Equities	7,410	34,668	42,078	(55,610)
Foreign Currency	315	1,261	1,576	-
Mortgages	5,222	251	5,473	6,145
Real Estate	10,539	4,776	15,315	12,009
Private Placements	203	317	520	15
Investment Income (Loss)	$ 87,300	$186,454	$ 273,754	$ (64,796)
Total Investment Income (Loss)	$ 448,141	$897,063	$ 1,345,204	$(531,240)

The income allocation portion of investment income represents pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by bcIMC, and interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

5. CONTRIBUTIONS

	2003				2002
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
			($ Thousands)		
Members' contributions					
Regular	$120,496	$44,391	$ -	$164,887	$164,182
Arrears	298	117	-	415	146
Purchase of Service	339	137	-	476	203
Leave of absence	4,606	1,837	-	6,443	3,697
Reinstatement	5,345	251	-	5,596	6,973
Supplemental benefits	-	-	3	3	-
	131,084	46,733	3	177,820	175,201
Employers' contributions					
Regular	209,614	11,749	-	221,363	213,327
ERIP Contributions	2	1	-	3	43
Arrears	609	80	-	689	166
Purchase of Service	616	77	-	693	298
Leave of absence	8,334	1,047	-	9,381	4,873
Supplemental benefits	-	-	13,477	13,477	20,208
	219,175	12,954	13,477	245,606	238,915
Total Contributions	$350,259	$59,687	$13,480	$423,426	$414,116

Member and employer contributions are as defined under the Plan rules.

Member regular Basic Account contributions of $3 thousand were allocated to the Supplemental Benefits Account to fund supplemental benefits.

Employer regular Inflation Adjustment Account contributions of $13,342 thousand were allocated to the Supplemental Benefits Account to fund group and supplemental benefits. Employer regular Basic Account contributions of $135 thousand were allocated to the Supplemental Benefits Account to fund supplemental benefits.

6. ACCOUNT TRANSFERS

	2003		2002	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
	($ Thousands)			
Present value of current indexing supplements	$90,364	$(90,364)	$92,257	$(92,257)
Indexing of deferred pensions	1,720	(1,720)	2,006	(2,006)
Excess interest	-	-	-	-
	$92,084	$(92,084)	$94,263	$(94,263)

The Inflation Adjustment Account (IAA) is a separate account that is maintained for funding current and future indexing supplements. This IAA is funded through a portion of ongoing contributions from employers and members (please see Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is also transferred from the IAA to the Basic Account.

There was no excess interest transfer to the IAA for the years ended December 31, 2002 and 2003. Excess interest is based only on investment income earned on those Basic Account assets required for pensions currently being paid, approximately $4.4 billion of assets for 2003 (2002: $4.0 billion). The excess interest rate of return is determined by taking the difference between the actual five-year average market rate of return and the rate of return used by the actuary (7.25%) in valuing the plan's liabilities. The calculated excess interest rate of return for 2003 was -2.15% (2002: -3.0%), resulting in a negative excess interest amount of $95.4 million (2002: $120.0 million). The cumulative negative excess interest amount is $215.4 million which will be offset against future positive excess interest amounts.

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan's actuary values both accrued assets and benefit obligations to the financial statement date, as well as contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry-age method. This method produces the level rate of the member/employer contributions sufficient to provide benefits for the average future new entrants to the Plan.

The most recent full actuarial valuation for funding purposes was prepared as at December 31, 2002. This valuation disclosed an unfunded actuarial liability (UAL) for basic pension benefits of $0.4 billion (1999: $0.5 billion), assuming future contributions at the contribution rates in effect at the valuation date. The following long-term actuarial assumptions were used:

- annual investment return 7.25%
- annual salary escalation rate 4.75%

The main changes between the 1999 and 2002 valuations are as follows:

	($ Millions)
UAL as at December 31, 1999	$(454)
Investment income in excess of actuarial rate of return	71
Salary increases less than previously assumed	222
Interest on UAL	(110)
Increase in employer contribution rate	268
Changes in actuarial assumptions	(392)
Actual contributions greater than normal cost rate	104
Other actual experience items different from expected	(91)
UAL as at December 31, 2002	$(382)

The next full actuarial valuation will be at December 31, 2005 for inclusion in the December 31, 2006 financial statements.

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

a) Basic Account (continued)

The Joint Trust Agreement (Agreement) specifies a transitional period during which the rebalancing of member and employer contribution rates and specified benefit improvements will be achieved. During this transitional period, if an actuarial valuation indicates that increased basic account contribution rates are required to fully fund the plan on a going-concern basis, the increase is shared equally by members and employers.

Based on the results of the 2002 actuarial valuation, the actuary determined that an increase in contribution rates is necessary for the Plan to maintain its proper financing. Therefore, the trustees decided that, effective July 1, 2004, member and employer contribution rates will each be increased by 0.55%, as recommended by the actuary.

Also during this transitional period, if surplus assets or actuarial gains occur, they will be used to achieve the following objectives in order of priority:

- Eliminating any unfunded liability
- Rebalancing member and employer contribution rates
- Providing specified benefit improvements

After the transitional objectives have been achieved, if an actuarial valuation indicates that increased basic contribution rates are required, the increase must be shared equally by members and employers. The Agreement also describes the manner in which the Board can elect to apply surplus assets.

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members, full funding for that granted indexing on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the Plan rules, nor is there any legislative or Plan provision to fund the IAA to any minimum level of future potential indexing.

The Board monitors the performance of the IAA and, at least annually, reviews a sensitivity analysis of the projected impact on the IAA of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefits costs. This sensitivity analysis assists the Board to identify scenarios, some years in advance of its possible occurrence, when the IAA assets may cease to grow and therefore, when full indexing of benefits may not be able to be granted. As long as there are contributions to the IAA, there will be some measure of indexing protection for retired members.

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 7a. As part of the actuarial valuation, the actuary also calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included, in contrast to their inclusion in the valuation for funding purposes as described in Note 7a.

The Basic Account is the account from which the defined basic benefits of the Plan are paid. It is also the account from which any indexing that has been granted to retired members is paid. Future indexing benefits are not guaranteed within the Plan provisions, and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the net present value funding necessary for the indexing granted. Therefore, accrued basic pension benefits for valuation purposes, include the liability for all indexing granted to the date of the valuation, but not for, as yet unknown, future indexing.

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

The latest full valuation was made as at December 31, 2002, by Eckler Partners Ltd.. The results were as follows:

As at December 31	2002	1999
	($ Millions)	
Net assets available for basic pension benefits	$ 8,275	$ 8,553
Five year market value smoothing adjustment	1,071	(1,082)
Net actuarial assets for basic pension benefits	9,346	7,471
Liability for accrued basic pension benefits	(9,898)	(7,965)
Unfunded Actuarial Liability (UAL)	$ (552)	$ (494)

The next full actuarial valuation will be at December 31, 2005 for inclusion in the December 31, 2006 financial statements.

The present value of liabilities for pension benefits accrued to the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. For accounting purposes it is required that extrapolations between valuations be calculated. Such an extrapolation has been made to December 31, 2003, using the following 2002 long-term actuarial assumptions.

- annual investment return 7.25%
- annual salary escalation rate 4.75%

On this basis, the extrapolated value of the UAL at December 31, 2003 is as follows:

Extrapolated Actuarial Assets Available for Basic Pension Benefits	2003
	($ Millions)
Net actuarial assets, beginning of year	$ 9,346
Account transfers	92
Current year contributions	350
Net transfers to (from) other plans	11
Pension benefits	(484)
Termination & refund benefits	(11)
Administration costs	(8)
Interest accrued on assets	680
Net actuarial assets, end of year	$ 9,976

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

Extrapolated Actuarial Liability for Accrued Basic Pension Benefits	2003
	($ Millions)
Liability for accrued basic pension benefits, beginning of year	$ 9,898
Account transfers	92
Current period benefit cost	322
Net transfers to (from) other plans	11
Pension benefits	(484)
Termination and refund benefits	(11)
Administration costs	(8)
Interest accrued on liability	718
Liability for accrued basic pension benefits, end of year	$ 10,538
Extrapolated Unfunded Actuarial Liability (UAL), Dec.31, 2003	**$ 562**

Extrapolations may not be reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

9. INVESTMENT AND ADMINISTRATION COSTS

	2003	2002
	($ Thousands)	
Investment Management	$16,619	$16,178
Benefit Administration	7,599	6,909
Board Remuneration and Expenses	155	108
Other Professional Services	228	138
	$24,601	$ 23,333

The bcIMC and the Pension Corporation are related parties to the Plan. The Board is represented on each of the respective corporate boards.

9. INVESTMENT AND ADMINISTRATION COSTS (continued)

Costs for investment management services charged by bcIMC include the costs for internal and external investment management fees.

Benefit administration costs charged by the Pension Corporation are pro-rated and charged to each pension plan under its administration based primarily on the relative numbers of members in each plan. Included in accounts payable is $2.3 million due to the Pension Corporation for those costs.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Other professional services include actuarial, insurance, audit and legal fees.

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act (Canada)* limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through this account. The availability, type and level of this retiree group benefit coverage is contingent upon the availability of funds within the Supplemental Benefits Account to fund such benefits. To the extent that group benefits are funded from the Supplemental Benefits Account, they are funded from current employer inflation contributions and cannot exceed 0.8% of current total salaries.

11. COMMITMENTS

The Plan participates in private placement and international equity pools that are managed by bcIMC. As at December 31, 2003, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately $284 million (2002: $282 million).

12. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. The fair values of these financial instruments approximate their carrying values.

12. FINANCIAL INSTRUMENTS (continued)

Fair values of investments are exposed to price risk and credit risk. Price risk is comprised of currency risk, interest rate risk, and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to thé possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

Interest Rate Risk
The value of the Plan's assets is affected by changes in interest rates and their effect on equity markets. Pension liabilities are exposed to long-term market interest rates.

Foreign Currency Risk
Foreign currency exposure arises from the Plan's holdings of foreign-currency denominated investments and related derivative contracts. A portion of the currency exposure is hedged by foreign currency forward contracts. A foreign currency forward contract is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate.

Market Risk
The most important issue for the Plan is long-term investment results. The Board approves the long-term asset mix policy for investment assets and oversees the management of these assets through the Board's investment management agent, bcIMC. Investment risk is reduced through asset class diversification, diversification within each asset class and credit quality constraints on fixed income instruments.

Credit Risk
The plan limits derivative contract credit risk by dealing principally with counterparties that have a credit rating of A or higher as rated by the Dominion Bond Rating Service or equivalent.

This is a publication of the Teachers' Pension Board of Trustees.
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